



UNITED STATES SENATE
**REPUBLICAN
POLICY COMMITTEE**

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“Circuit Breaker” Guts Defense, Raises Taxes

Budget Breaker

The so-called circuit breaker included in Senator Conrad’s budget resolution has become a subject of much-deserved ridicule. As the *Washington Post* observed today, the provision calls “on the next Congress to solve the problem” of using Social Security surpluses to pay for general government programs.

But beware of treating this provision frivolously. If adopted, the Conrad circuit breaker would require around \$450 billion in spending cuts and/or tax increases over just five years! Perhaps Senator Conrad, having punted in this year’s resolution, will let Senators know exactly where the Senate should vote to cut \$450 billion in the years 2004-2008?

Circuit Breaker

The Conrad circuit breaker would require next year’s budget to make the difficult decisions Senator Conrad’s budget purposefully avoids. It does so by making any budget considered next year out of order under Senate rules unless it provides for on-budget surpluses in 2008 equal to the Social Security surplus in 2008. It goes without saying that this year’s budget drafted by Senator Conrad budget fails this test. Specifically, the Conrad provision says the following:

Circuit Breaker – Effective January 1, 2003, if in any year the Congressional Budget Office, in its report pursuant to section 202(e)(1) of the Congressional Budget Act of 1974 projects an on-budget deficit (excluding Social Security) for the budget year or any subsequent fiscal year covered by those projections, then the concurrent resolution on the budget for the budget year shall reduce on-budget deficits relative to the projections of CBO and put the budget on a path to achieve on-budget balance within 5 years, and shall include such provisions as are necessary to protect Social Security and facilitate deficit reduction.

The provision includes an exception for legislation considered during war or when the economy is suffering from low economic growth.

Cutting and Slashing

Senator Conrad claims that this provision would require next year's budget to produce savings of around \$400 billion over the years 2004-2008. According to BNA, "With the circuit breaker in place next year, Congress would have a '\$400 billion hole' of spending cuts or tax increases to fill to get the budget to balance by FY 2008 without using Social Security, Conrad explained, adding that would be about half the size of the deficit reduction package Congress passed in 1993 in President Clinton's first year in office." Other sources put the estimate at \$450 billion.

But in addition to the circuit breaker, Senator Conrad's budget also calls for all sorts of new spending that deepen what he refers to as the raid on Social Security. His budget sets up the unique scenario of increasing funding in one year just to cut it in the next. If the Senate adopts the Conrad budget resolution, it will require that we start cutting the very programs his budget funds, starting in 2004. Just how deep would such cuts go? The Conrad budget could:

- Repeal last year's death tax, marriage penalty, pension reform, education and child credit tax relief. These provisions, enacted last year, provided American families with about \$200 billion in tax relief between 2004-08. Every dollar of this relief would have to be cut; *and*
- Totally eliminate mandatory IDEA funding. Senator Jeffords left the Republican party because he wanted to fully fund IDEA with mandatory (not discretionary) funding. The Conrad budget fails to achieve this mark. It does call for new, mandatory funding equal to \$21 billion through 2007. Every penny of this funding (except \$50 million) would have to be cut; *and*
- Strike all the new defense funding. Senator Conrad claims his budget fully funds the President's defense request for 2003 and 2004. But his circuit breaker would require that funding be cut starting in 2004; *and*
- Cut about \$150 billion more. . . .

Senator Conrad inserted his circuit breaker to avoid making difficult budget decisions this year. But the very act of adopting his budget ensures that around \$450 billion would have to be cut from the very programs his budget funds! The only way this might be avoided is if the economy recovers and surpluses return. Viewed in this light, the Conrad budget is the most "rosy-scenario" resolution the Senate has ever considered.